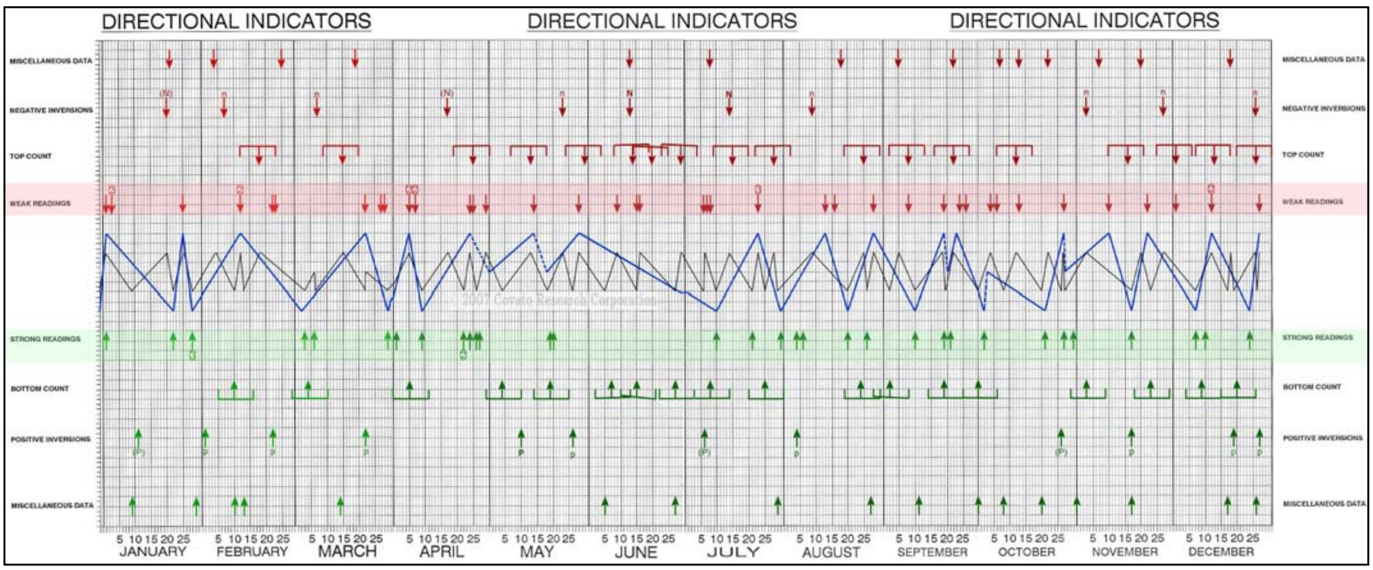
A Review of our 2007 Annual Market Forecast's Directional Details

Focal Point

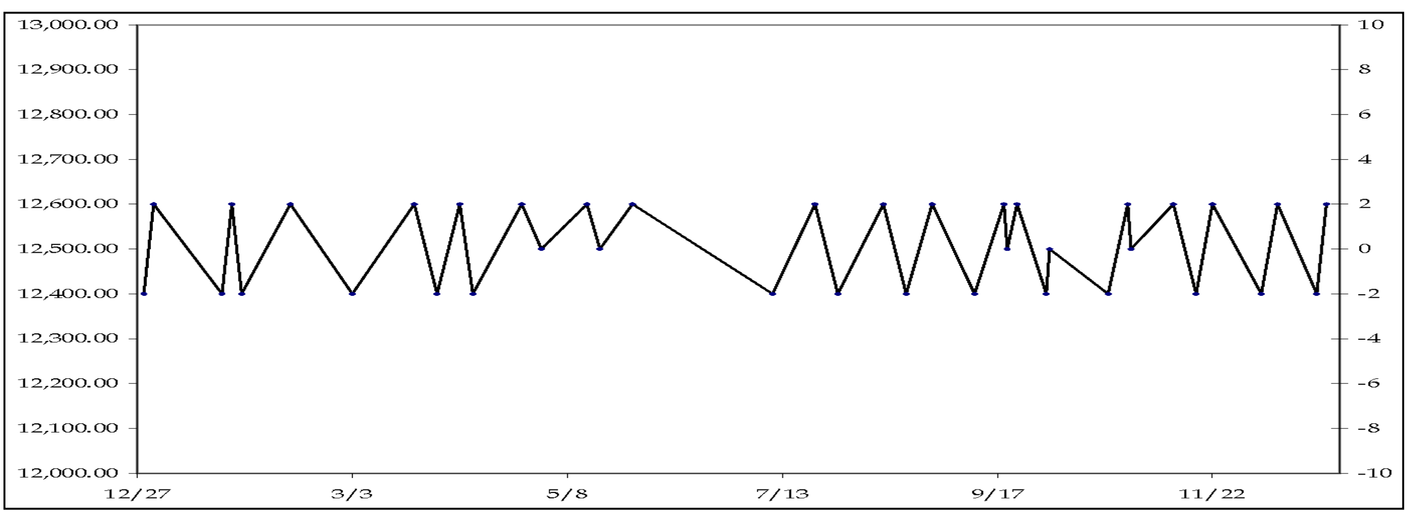
Here's one way to review our 2007 Annual Market Forecast:

First, observe the shaded red and green areas in the chart below of our Directional Indicators for the full 2007 year: They contain the "Strong Readings" and "Weak Readings" that represent the primary components of our directional predictions. This chart may also be retrieved from our website.

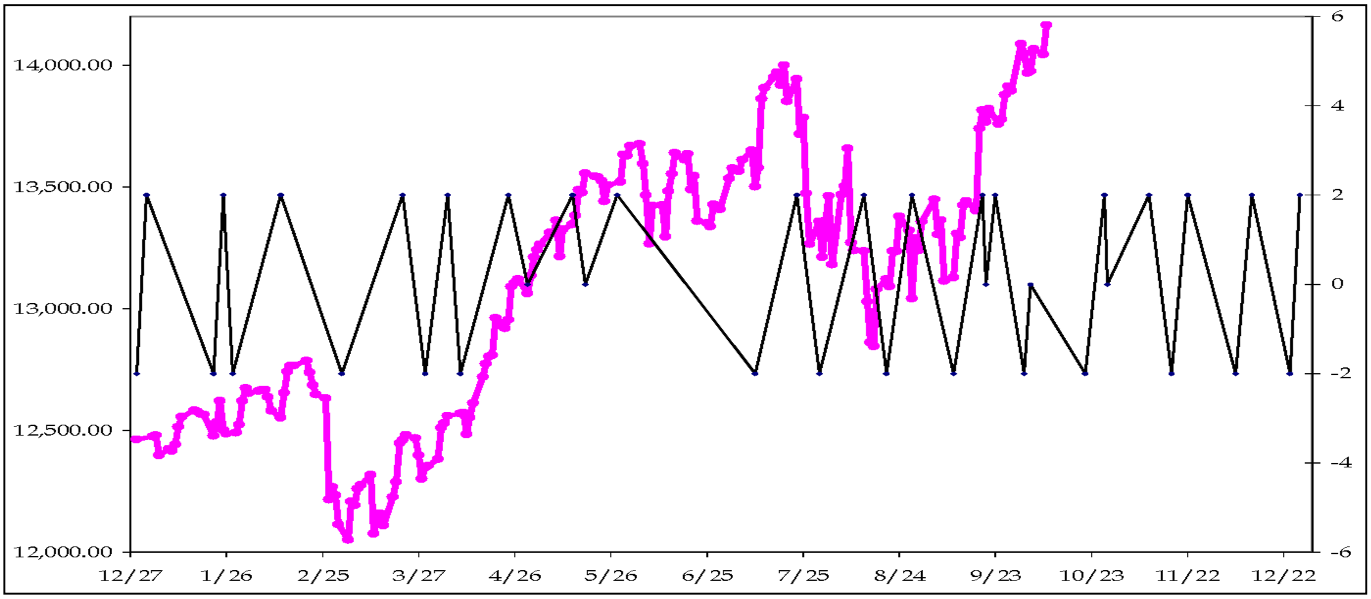
Second, create a directional movement line for the year, like the one that we prepared during 2006 for 2007's forecast to help guide some of our forecast followers objectively through the forecast (see the blue zigzag line below). Basically, we drew a line that reversed as it encountered each new grouping of "Strong Readings" or "Weak Readings."



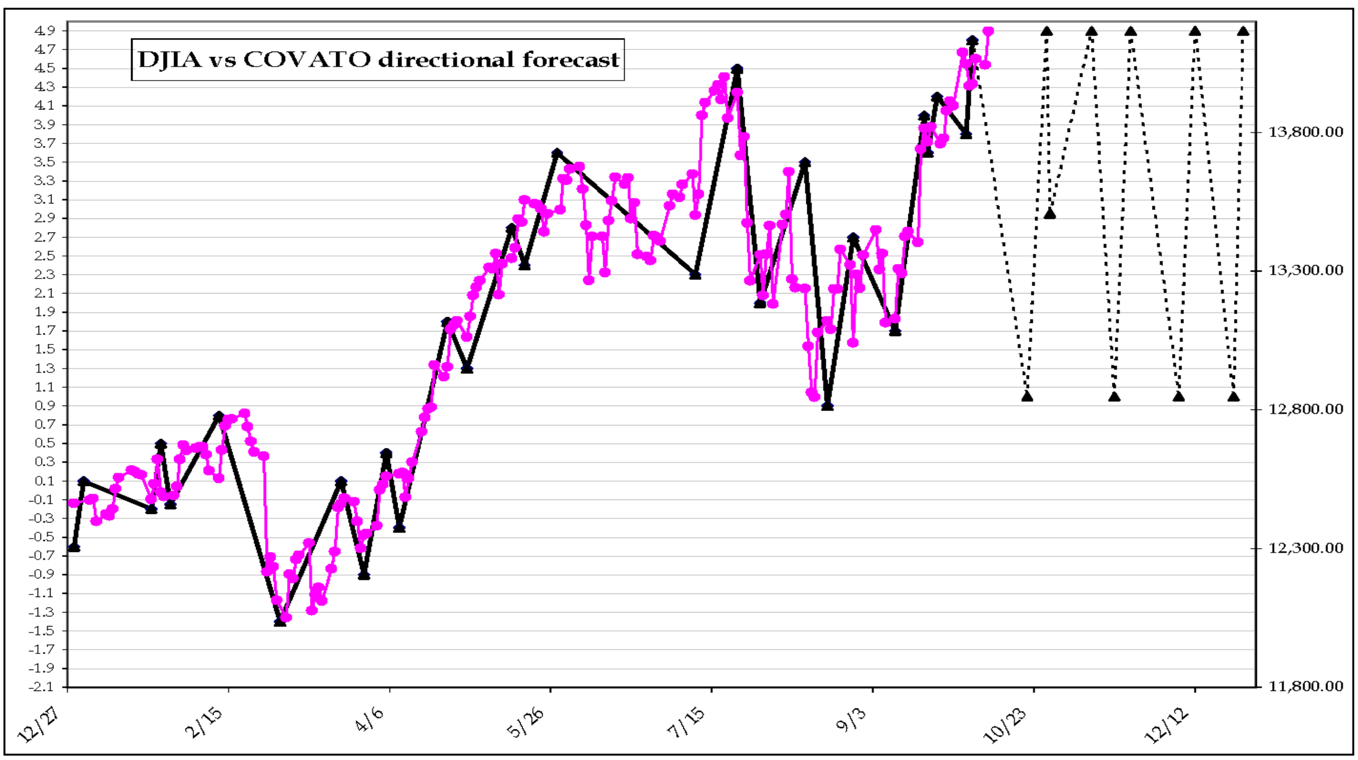
Third, remove the zigzag from the chart, as seen below.

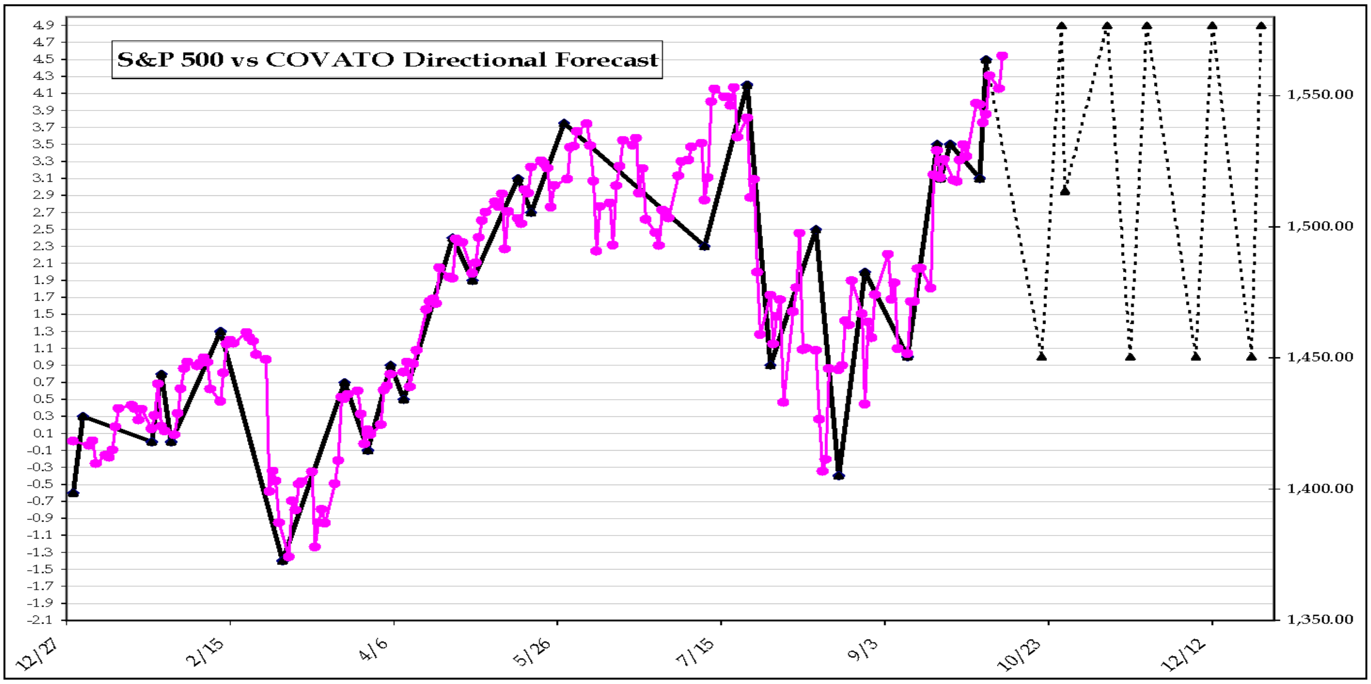


Fourth, get the Dow Jones Industrial Average (DJIA), whose data is the essence of our forecast, and overlay the DJIA onto the forecast zigzag (see light purple overlay line below).



Lastly, vertically stretch and compress the black zigzag line making sure to keep it in its original alignment so that it is easier to see if our forecasted directional turns matched the directional turns of the market. Always keep in mind that the concept of our George Lindsay-inspired forecast is based on direction and time, not price. The result is the overlay graph below, which compares our forecast with the daily closing prices of the DJIA. There is a similar chart for comparing with the S&P 500 as well on the next page. Our written directional predictions through April 2007, which were also revealed to clients BEFORE the 2007 trading year began, are reprinted below for you to review.





2007 ANNUAL MARKET FORECAST (Completed before December 31, 2006)

DIRECTIONAL DETAILS

1. January will display a continuation of 2006's year-end expected choppiness. Specifically, early January strength will be quickly thwarted by some weakness, yielding a bumpy, sideways bottoming process into month-end.
2. Strength in late January will produce a rally into February that loses strength around mid-month.
3. Another bottom reversal is expected in early March. The subsequent rally may lose some strength near month-end.
4. April will contain early volatility but ultimately resolve upward and possibly sharply upward into month-end.
5. A high tide of sorts is expected during May that will ebb near month-end, leading into the year's most potentially obvious descent. There is currently no apparent strength expected between late May and early July.
6. A down-up-down pattern will define the shape of July as a low tide becomes apparent.
7. August will begin strongly as it ushers in the most difficult part of this year to directionally interpret. Our best guess is that a choppy ascent will be interrupted by some weakness between late September and the middle of October.
8. The market will strengthen during the final third of October.
9. Mild weakness will develop during the first half of November. There will be some strength around the weekend of November 17th. More weakness will begin near Thanksgiving, and continue into the first week of December.
10. December will be choppy and sideways with a down-up-down-up-down pattern into year-end.